

ATLANTIC ACCEPTANCE CORPORATION LIMITED
in Receivership

MONTREAL TRUST COMPANY,
Receiver and Manager

FINANCIAL STATEMENTS
DECEMBER 31, 1966

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PRICE WATERHOUSE & Co.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

FINANCIAL STATEMENTS - DECEMBER 31, 1966

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PRICE WATERHOUSE & CO.

55 YONGE STREET

TORONTO 1

June 8, 1967.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the accompanying combined financial statements for 1966 (Exhibits 1, 2 and 3) of Atlantic Acceptance Corporation Limited - In Receivership.

Scope of examination:

Except for Standard Discount Corporation Limited, our examination covered the assets and liabilities and income and expenses included in the combined financial statements of Atlantic Acceptance Corporation Limited - In Receivership and included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors of Standard Discount Corporation Limited whose net assets comprise 3% of the net assets of \$91,136,405 shown in the Combined Statement of Deficiency in Net Assets as at December 31, 1966.

The primary purpose of our examination was to enable us to form an opinion on whether or not the Combined Statement of Deficiency in Net Assets as at December 31, 1966 fairly presents the financial position at that date of Atlantic Acceptance Corporation Limited - In Receivership and to report on the transactions recorded during the year then ended under the direction of the Receiver and Manager.

Combined Statement of Deficiency in Net Assets as at December 31, 1966 (Exhibit 1):

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Combined Statement of Deficiency in Net Assets are stated at estimated realizable values. Because of the uncertainties in determining the estimated realizable value of certain important assets, which are referred to below, we are unable to express an opinion on the Combined Statement of Deficiency in Net Assets as a whole.

However, in our opinion, cash (\$1,681,305, subject to the comment concerning bank deposits of \$966,109 in Note 2 to the combined financial statements), short-term investments (\$52,803,738), income taxes recoverable and miscellaneous accounts receivable (\$807,326), prepaid expenses (\$22,543), 6% Capital Notes of General Acceptance Corporation (\$12,591,140), and fixed assets (\$53,933) are fairly presented in the Combined Statement of Deficiency in Net Assets. Our comments on the other assets shown in the statement are as follows:

We consider that the estimated realizable value of instalment notes and accounts receivable (\$4,955,511) and the estimated amounts due in respect of sale of interest in former subsidiary companies (\$8,000,787) as referred to in Note 3 to the combined financial statements have been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the accounts and other net assets, the actual amount realized may be greater or less than the estimated value recorded in the accounts.

The investment made by the Receiver and Manager in Lucayan Beach Hotel and Development Limited through shares, debentures and advances totals \$10,110,376 (Note 5 to the combined financial statements). We have been unable to form an opinion as to the amount which may be realized from this investment.

The shares of Great Northern Capital Corporation Limited are carried at a value of \$700,000 (Note 7 to the combined financial statements). This value exceeds the indicated market value at May 31, 1967 by approximately \$420,000.

We are also of the opinion that the liabilities are fairly presented in the Combined Statement of Deficiency in Net Assets except that:

Full provision has not been made for the compensation of the Receiver and Manager (Note 8 to the combined financial statements).

Litigation is pending which seeks to establish that senior notes issued after June 30, 1964 are not entitled to the security of the Senior Note indenture (Note 13 to the combined financial statements). The Combined Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$121,793,855 is entitled to the security of the indenture.

Combined Statement of Deficit as at June 17, 1965, the date when the company went into receivership, as adjusted to December 31, 1966 (Exhibit 2):

We have reviewed the adjustments made during the year ended December 31, 1966 by the Receiver and Manager relating to the assets and liabilities as at June 17, 1965 as set out in the Combined Statement of Deficit as at June 17, 1965, and consider them necessary in order to state the net assets at their estimated realizable value at December 31, 1966.

Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1966, while the operations of the companies were under the control of the Receiver and Manager (Exhibit 2),

and

Combined Statement of Loss for the year ended December 31, 1966 (Exhibit 3):

Except that no provision has been made for the operating loss of the unconsolidated subsidiary company, Lucayan Beach Hotel and Development Limited (Note 5 to the combined financial statements), in our opinion the Combined Statement of Loss for the year ended December 31, 1966 presents fairly the combined income and expenses arising during the year from the net assets under the control of the Receiver and Manager, and the Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1966 presents fairly the cumulative results of operations during that period.

Price Waterhouse & Co.

Chartered Accountants.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1966

(See Note 1 for basis of preparation of combined financial statements)

Assets under the control of the Receiver and Manager:

Cash (Note 2)	\$ 1,681,305
Short-term investments, maturing within one year, at cost plus accrued interest:	
Deposit receipts of Canadian chartered banks	\$52,503,937
Treasury bill of the Province of Saskatchewan	<u>299,801</u>
	52,803,738
Instalment notes and accounts receivable, at estimated realizable value	4,955,511
Estimated amounts due in respect of sale of interest in former subsidiary companies (Note 3)	8,000,787
Income taxes recoverable and miscellaneous accounts receivable, at estimated realizable value (Note 4)	807,326
Prepaid expenses, at estimated realizable value	22,543
Investments and advances:	
Lucayan Beach Hotel and Development Limited (Note 5) -	
Shares and debentures, at cost	\$ 3,660,718
Advances, including accrued interest	<u>6,449,658</u>
	10,110,376
6% Capital Notes of General Acceptance Corporation, due October 1, 1970, at cost plus accrued interest (Note 6)	12,591,140
Shares of Great Northern Capital Corporation Limited (Note 7)	<u>700,000</u>
	23,401,516
Fixed assets, at estimated realizable value	<u>53,933</u>
Forward	\$91,726,659

Forward	\$91,726,659
Deduct- Liabilities of the Receiver and Manager:	
Bank overdraft	\$ 348,473
Accounts payable and accrued liabilities	<u>241,781</u>
	<u>590,254</u>
Estimated realizable value of net assets under the control of the Receiver and Manager, before full provision for the compensation of the Receiver and Manager (Note 8), being 83.3% of the principal amount (\$109,358,321) due to senior note-holders as at December 31, 1966	91,136,405
Deduct- Senior debt (principal \$109,358,321, redemption premium \$2,182,247 and accrued interest \$10,253,287, as set out in Note 9)	<u>121,793,855</u>
Deficiency in net assets to meet senior debt outstanding, before full provision for the compensation of the Receiver and Manager (Note 8)	30,657,450
Other liabilities:	
Subordinated debt (Note 10)	18,377,563
Junior subordinated debt (Note 11)	4,766,630
Accounts payable and accrued liabilities	75,523
Dividends payable	249,430
Contingent liabilities (Note 12)	<u>23,469,146</u>
Deficiency in net assets	<u>\$54,126,596</u>
Represented by:	
Capital stock	\$14,455,087
Deficit (Exhibit 2):	
As at June 17, 1965 as adjusted to December 31, 1966	\$65,497,059
For the period from June 18, 1965 to December 31, 1966	<u>3,084,624</u>
	<u>(68,581,683)</u>
	<u>\$54,126,596</u>

(The accompanying notes are an integral part of the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
 (MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIT
 AS AT JUNE 17, 1965,
 THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,
 AS ADJUSTED TO DECEMBER 31, 1966

Deficit at June 17, 1965 as adjusted to December 31, 1965 \$66,379,855

Deduct- Adjustments during the year ended December 31, 1966 relating to the assets and liabilities at June 17, 1965:

Amounts received (or estimated to be received) from collections or sale of notes and accounts receivable in excess of their estimated realizable value at December 31, 1965	\$3,656,480
Adjustment in liabilities recorded at June 17, 1965	24,622
Increase in estimated income taxes recoverable	5,510
Amounts received in respect of fixed assets previously written off	3,820
Adjustment of foreign exchange on notes payable in United States dollars based on exchange rate at December 31, 1966	(652,386)
Adjustment in cash at June 17, 1965	<u>(438)</u>
	<u>3,037,608</u>
	<u>63,342,247</u>

Add:

Initial interim award of compensation to the Receiver and Manager (Note 8)	1,750,000
Legal expenses of the receivership	<u>404,812</u>
	<u>2,154,812</u>
Deficit at June 17, 1965 as adjusted to December 31, 1966	<u>\$65,497,059</u>

COMBINED STATEMENT OF DEFICIT
 FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1966,
 WHILE THE OPERATIONS OF THE COMPANIES WERE UNDER THE CONTROL
 OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1965 \$ 279,465

Add- Loss for the year ended December 31, 1966
 (Exhibit 3) 2,805,159

Deficit as at December 31, 1966 \$ 3,084,624

(The accompanying notes are an integral part of the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1966

Operating income:	
Interest	\$6,451,430
Interest on marketable securities	1,860,453
Interest on advances to Lucayan Beach Hotel and Development Limited	444,713
Excess of proceeds from life insurance policies over carrying value thereof	<u>83,600</u>
	8,840,196
Operating expenses:	
Administrative, per statement attached	<u>4,306,459</u>
Excess of operating income over operating expenses before interest on notes	4,533,737
Interest on notes:	
Senior debt-	
Bank advances	\$ 441,351
Short-term	2,585,361
Medium-term	277,323
Long-term	2,745,655
Subordinated debt	1,020,525
Junior subordinated debt	<u>268,681</u>
	7,338,896
Loss for the year	\$2,805,159

(The accompanying notes are an integral part of the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1966

Advertising	\$ 41,498
Bank charges, including interest	48,926
Capital and place of business taxes	15,445
Collection expenses	70,418
Credit information	16,053
Creditors' life insurance	11,671
Depreciation	12,970
Discounts granted dealers	30,405
Employee benefits	59,446
Foreign exchange	(134,809)
Insurance	25,300
Legal and audit	219,251
Management fees to G.A.C. International Acceptance Corporation Limited and G.A.C. International Finance Corporation Limited	352,398
Miscellaneous	30,519
Notary, filing and recording fees	19,447
Occupancy	50,033
Office equipment rentals	115,685
Office maintenance	50,813
Postage	58,396
Printing, stationery and office supplies	122,703
Provision for loss on notes and accounts receivable	517,349
Rent	296,168
Salaries	1,699,249
Telephone and telegraph	234,067
Travel and automobile expenses	343,058
	<hr/>
	\$4,306,459
	<hr/>

(The accompanying notes are an integral part of
the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1966

1. Basis of preparation of combined financial statements:

The accompanying Combined Statement of Deficiency in Net Assets as at December 31, 1966 (Exhibit 1) includes:

- (a) the assets under the direct control of the Receiver and Manager originating from Atlantic Acceptance Corporation Limited and The Premier Finance Corporation Limited, both of which are in receivership, and
- (b) the assets of the following subsidiaries which are not in receivership but are under the control of the Receiver and Manager:

Adelaide Acceptance Limited
Atlantic Acceptance (Toronto) Limited
Commodore Factors Limited
Concourse Agencies Limited
Pay As You Study Plan Limited
Standard Discount Corporation Limited.

The financial statements of Lucayan Beach Hotel and Development Limited, a 91.4% owned subsidiary, have not been combined with those of Atlantic Acceptance because Lucayan's operations are different and unrelated to those of the other companies in the group. For information concerning Lucayan, reference should be made to the audited financial statements of that company as at September 30, 1966 and to Note 5.

The assets in the combined financial statements are stated at estimated realizable values and there has been deducted therefrom the liabilities of the Receiver and Manager, in respect of the two receiverships, and also the liabilities of the above subsidiaries not in receivership, to arrive at the estimated realizable value of net assets under the control of the Receiver and Manager which are available for creditors as of June 17, 1965.

The Combined Statement of Deficit as at June 17, 1965 (Exhibit 2) reflects the results of operations to June 17, 1965 with subsequent adjustments to December 31, 1966 primarily to adjust the assets and liabilities at June 17, 1965 to their estimated realizable values, and the Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1966 (Exhibit 2) reflects the cumulative results of operations carried out by or under the direction of the Receiver and Manager, in respect of the assets of the companies in the Atlantic group (including the results of operations of former subsidiaries to the dates of sale thereof) during that period.

The results of operations for the year ended December 31, 1966 are set out in the Combined Statement of Loss (Exhibit 3).

In combining the financial statements as described above, all inter-group assets and liabilities and income and expenses have been eliminated.

In the attached statements, all balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange as at December 31, 1966.

2. Cash:

Cash includes \$497,273 held temporarily in trust by Montreal Trust Company pending reinvestment in short-term securities, and bank deposits of \$966,109 which were seized on June 17, 1965 by the depositaries. The banks have claimed a right to offset these deposits against bank advances and short-term notes which form part of the senior debt of the company.

3. Estimated amounts due in respect of sale of interest in former subsidiary companies:

Since the date of receivership, the Receiver and Manager has sold the shares of two wholly-owned subsidiary companies, and the following amounts are due as at December 31, 1966 in respect of the sale of the interest in these companies:

Balance of consideration due from General Acceptance Corporation in respect of the sale of interest in Atlantic Finance Corporation Limited, equal to the estimated realizable value of certain notes receivable and other net assets as at December 31, 1966	\$1,918,757
Due from Great Northern Capital Corporation Limited, representing the estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited as at December 31, 1966	<u>6,082,030</u>
	<u>\$8,000,787</u>

4. Income taxes recoverable and miscellaneous accounts receivable:

Income taxes recoverable and miscellaneous accounts receivable include the following amounts:

Income taxes recoverable, mainly in respect of the year ended December 31, 1964 recoverable as a result of losses in 1965	\$ 576,719
Proceeds from life insurance policies	100,800
Other	<u>129,807</u>
	<u>\$ 807,326</u>

5. Lucayan Beach Hotel and Development Limited:

The Receiver and Manager acquired control of Lucayan in 1965 by purchasing 61.4% of the outstanding shares of that company and second mortgage debentures of the face value of U.S. \$1,200,000, for an aggregate consideration of \$3,660,718. Approximately 30% of the remainder of the outstanding shares of Lucayan and second mortgage debentures of the face value of U.S. \$1,200,000 are also held as collateral for loans made by a former subsidiary, Commodore Sales Acceptance Limited.

The Receiver and Manager also made advances to Lucayan totalling \$6,449,658 to December 31, 1966 to assist it in meeting its current obligations. The security for these advances is to be a floating charge debenture covering all of the assets of the company.

The audited financial statements of Lucayan as at September 30, 1966 indicate an underlying equity at book value in excess of \$10,110,376, the aggregate investment in Lucayan.

No provision has been made for the company's share (approximately \$1,024,000) of the loss of Lucayan for the nine months to its fiscal year ended on September 30, 1966.

6. 6% Capital Notes of General Acceptance Corporation:

In September 1966 the Receiver and Manager entered into agreements providing for the sale without recourse of instalment notes and accounts receivable of Atlantic Acceptance Corporation Limited as of June 30, 1966 for \$12,427,511, and for the purchase of an equal amount of 6% Capital Notes of General Acceptance Corporation due October 1, 1970. Under the terms of the latter agreement, General Acceptance Corporation will prepay without premium \$4,000,000 on October 1, 1967, \$3,500,000 on October 1, 1968 and \$2,500,000 on October 1, 1969, and pay the balance of \$2,427,511 on October 1, 1970.

7. Shares of Great Northern Capital Corporation Limited:

On the sale of the shares of Commodore Sales Acceptance Limited (a former wholly-owned subsidiary company) in December 1965, the company acquired 200,000 shares of Great Northern Capital Corporation Limited and under the terms of the sale agreement, a value of \$700,000 (or \$3.50 per share) was placed on these shares. The shares of Great Northern, which are traded on the Toronto Stock Exchange, had a quoted market value of \$450,000 on December 31, 1966 and \$280,000 on May 31, 1967.

8. Compensation of the Receiver and Manager:

An initial interim award of compensation in the amount of \$1,750,000 was paid to the Receiver and Manager upon approval by the Court in December 1966. No provision has been made for any further compensation to the Receiver and Manager.

9. Senior debt:

The senior debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, is secured by an assignment of notes receivable and by a first floating charge on the assets of the company. The senior debt consists of the following liabilities in Canadian and United States dollars:

Bank advances (Note 2):		
Payable in Canadian dollars	\$ 3,250,000	
Payable in United States dollars		
(U.S. \$4,000,000)	<u>4,335,000</u>	
		\$ 7,585,000
Short-term notes (Note 2):		
Payable in Canadian dollars	35,280,135	
Payable in United States dollars		
(U.S. \$15,953,000)	<u>17,289,064</u>	
		52,569,199
Medium-term notes:		
Payable in Canadian dollars-		
5 %	100,000	
5 3/8%	140,000	
5 7/8%	700,000	
Payable in United States dollars-		
5 % (U.S. \$2,000,000)	2,167,500	
5 1/4% (U.S. \$2,000,000)	<u>2,167,500</u>	
		5,275,000
Long-term notes:		
Payable in Canadian dollars-		
Series B 6 1/2%	846,000	
Series C 5 3/4%	600,000	
Series D 5 3/4%	400,000	
Series E 6 1/4%	400,000	
Series F 5 1/4%	100,000	
Series G 6 1/4%	100,000	
Series H 6 %	700,000	
Series I 6 %	1,250,000	
Series O 6 1/8%	1,500,000	
Payable in United States dollars-		
Series A 6 1/2% (U.S. \$3,384,000)	3,667,410	
Series J 6 % (U.S. \$2,250,000)	2,438,437	
Series K 6 % (U.S. \$1,500,000)	1,625,625	
Series L 6 % (U.S. \$2,500,000)	2,709,375	
Series M 6 % (U.S. \$2,500,000)	2,709,375	
Series N 5 3/4% (U.S. \$7,500,000)	8,128,125	
Series P 6 % (U.S. \$1,500,000)	1,625,625	
Series Q 6 % (U.S. \$8,500,000)	9,211,875	
Series R 5 7/8% (U.S. \$5,460,000)	<u>5,917,275</u>	
		<u>43,929,122</u>
Principal amount of senior debt		109,358,321
Redemption premium on long-term notes		<u>2,182,247</u>
		111,540,568
Accrued interest on senior debt to December 31, 1966		<u>10,253,287</u>
		<u>\$121,793,855</u>

10. Subordinated debt:

The subordinated debt of the company, which became due and payable upon default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-	
6 %	\$ 23,500
6 1/4%	4,500,000
Payable in United States dollars-	
6 1/2% (U.S. \$2,250,000)	2,438,438
6 1/2% (U.S. \$ 782,000)	847,492
6 % (U.S. \$3,478,000)	3,769,282
6 1/4% (U.S. \$2,340,000)	2,535,975
6 1/4% (U.S. \$2,000,000)	2,167,500
Principal amount of subordinated debt	16,282,187
Redemption premium	401,526
	16,683,713
Accrued interest on subordinated debt to December 31, 1966	1,693,850
	\$18,377,563

11. Junior subordinated debt:

The junior subordinated debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-	
6 1/2%	\$ 1,000,000
6 3/4%	400,000
6 3/4%	150,000
Payable in United States dollars-	
6 % (U.S. \$2,000,000)	2,167,500
6 1/2% (U.S. \$ 500,000)	541,875
	4,259,375
Accrued interest on junior subordinated debt to December 31, 1966	507,255
	\$ 4,766,630

12. Contingent liabilities:

The company is contingently liable under certain guarantees to the amount of approximately \$225,000. If the contingent liabilities should become actual liabilities these creditors would rank with other unsecured creditors.

13. Litigation:

An action is pending in the Supreme Court of Ontario whereunder Connecticut General Life Insurance Company, suing on behalf of itself and all other holders of senior notes issued in compliance with the terms of the Senior Note Indenture, is seeking a declaration of the Court that the outstanding senior notes Series O to Series R and the outstanding short-term and medium-term senior notes issued after June 30, 1964 were not issued in compliance with the terms of the Senior Note Indenture and are not entitled to the security thereof. Pursuant to an order of the Court the action is being defended by Montreal Trust Company, the trustee under the Senior Note Indenture, and by certain representative holders of senior notes in the series and classes of senior notes impugned.

14. Events subsequent to December 31, 1966:

In June 1967, the Court approved agreements entered into by the Receiver and Manager providing for the sale of the shares of Standard Discount Corporation Limited, and the settlement of the indebtedness of Standard Discount to Atlantic Acceptance and to Premier Finance over a two-year period. No further loss is expected to arise from the liquidation of the investment in Standard Discount.

PRICE WATERHOUSE & Co.

55 YONGE STREET

TORONTO 1

June 8, 1967.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of Atlantic Acceptance Corporation Limited - In Receivership (as a corporation) as at December 31, 1966, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1966, the Statement of Deficit for the period from June 18, 1965 to December 31, 1966 and the Statement of Loss for the year ended December 31, 1966.

Scope of examination:

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The primary purpose of our examination was to enable us to form an opinion on whether or not the Statement of Deficiency in Net Assets as at December 31, 1966 fairly presents the financial position at that date of Atlantic Acceptance Corporation Limited - In Receivership (as a corporation) and to report on the transactions recorded during the year then ended under the direction of the Receiver and Manager.

Statement of Deficiency in Net Assets as at December 31, 1966 (Exhibit 1):

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Statement of Deficiency in Net Assets are stated at estimated realizable values. Because of the uncertainties in determining the estimated realizable value of certain important assets, which are referred to below, we are unable to express an opinion on the Statement of Deficiency in Net Assets as a whole.

However, in our opinion, cash (\$1,650,647, subject to the comment concerning bank deposits of \$966,109 in Note 2 to the financial statements), short-term investments (\$52,803,738), income taxes recoverable and miscellaneous accounts receivable (\$678,703), prepaid expenses (\$755), and 6% Capital Notes of General Acceptance Corporation (\$12,591,140) are fairly presented in the Statement of Deficiency in Net Assets. Our comments on the other assets shown in the statement are as follows:

We consider that the estimated amounts due in respect of sale of interest in former subsidiary companies (\$8,000,787) as referred to in Note 3 to the financial statements have been carefully estimated in the light of current conditions. However, because of the uncertainties arising from the liquidation of the accounts and other net assets, the actual amount realized may be greater or less than the estimated value recorded in the accounts.

The advances to wholly-owned subsidiary companies in the amount of \$4,534,886 and the estimated equity in assets held by the Receiver and Manager arising from the receivership of The Premier Finance Corporation Limited in the amount of \$243,742 are stated at the estimated realizable value of the underlying assets, most of which consist of notes and accounts receivable whose value on liquidation is subject to the uncertainties mentioned above. In estimating the realizable values of the underlying assets of one of the wholly-owned subsidiaries, Standard Discount Corporation Limited, we have relied on the accounts of that company as reported on by other auditors. The net assets of Standard Discount are approximately 3% of the estimated realizable value of the net assets of \$91,136,405 shown in the Statement of Deficiency in Net Assets.

The investment made by the Receiver and Manager in Lucayan Beach Hotel and Development Limited through shares, debentures and advances totals \$10,110,376 (Note 5 to the financial statements). We have been unable to form an opinion as to the amount which may be realized from the investment.

The shares of Great Northern Capital Corporation Limited are carried at a value of \$700,000 (Note 7 to the financial statements). This value exceeds the indicated market value at May 31, 1967 by approximately \$420,000.

We are also of the opinion that the liabilities are fairly presented in the Statement of Deficiency in Net Assets except that:

Full provision has not been made for the compensation of the Receiver and Manager (Note 8 to the financial statements).

Litigation is pending which seeks to establish that senior notes issued after June 30, 1964 are not entitled to the security of the Senior Note indenture (Note 13 to the financial statements). The Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$121,793,855 is entitled to the security of the indenture.

Statement of Deficit as at June 17, 1965,
the date when the company went into
receivership, as adjusted to December 31,
1966 (Exhibit 2):

We have reviewed the adjustments made during the year ended December 31, 1966 by the Receiver and Manager relating to the assets and liabilities as at June 17, 1965 as set out in the Statement of Deficit as at June 17, 1965, and consider them necessary in order to state the net assets at their estimated realizable value at December 31, 1966.

Statement of Deficit for the period from
June 18, 1965 to December 31, 1966,
while the operations of the company
were under the control of the Receiver
and Manager (Exhibit 2),

and

Statement of Loss for the year ended
December 31, 1966 (Exhibit 3):

Except that no provision has been made for the operating loss of Lucayan Beach Hotel and Development Limited (Note 5 to the financial statements), in our opinion the Statement of Loss for the year ended December 31, 1966 presents fairly the income and expenses arising during the year from the net assets under the control of the Receiver and Manager, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1966 presents fairly the cumulative results of operations during that period.

Price Waterhouse & Co

Chartered Accountants.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1966

Assets under the control of the
Receiver and Manager:

Cash (Note 2)	\$ 1,650,647
Short-term investments, maturing within one year, at cost plus accrued interest:	
Deposit receipts of Canadian chartered banks	\$52,503,937
Treasury bill of the Province of Saskatchewan	<u>299,801</u>
	52,803,738
Estimated amounts due in respect of sale of interest in former subsidiary companies (Note 3)	8,000,787
Income taxes recoverable and miscellaneous accounts receivable, at estimated realizable value (Note 4)	678,703
Prepaid expenses, at estimated realizable value	755
Investments and advances:	
Advances to wholly-owned subsidiary companies, at estimated realizable value	4,534,886
Lucayan Beach Hotel and Development Limited (Note 5) -	
Shares and debentures, at cost	\$3,660,718
Advances, including accrued interest	<u>6,449,658</u>
	10,110,376
6% Capital Notes of General Acceptance Corporation, due October 1, 1970, at cost plus accrued interest (Note 6)	12,591,140
Shares of Great Northern Capital Corporation Limited (Note 7)	<u>700,000</u>
	27,936,402
Estimated equity in assets held by Receiver and Manager arising from the receivership of The Premier Finance Corporation Limited	<u>243,742</u>
Forward	\$91,314,774

Forward	\$91,314,774
Deduct- Accounts payable and accrued liabilities of the Receiver and Manager	<u>178,369</u>
Estimated realizable value of net assets under the control of the Receiver and Manager, before full provision for the compensation of the Receiver and Manager (Note 8), being 83.3% of the principal amount (\$109,358,321) due to senior note- holders as at December 31, 1966	91,136,405
Deduct- Senior debt (principal \$109,358,321, redemption premium \$2,182,247 and accrued interest \$10,253,287, as set out in Note 9)	<u>121,793,855</u>
Deficiency in net assets to meet senior debt outstanding, before full provision for the compensation of the Receiver and Manager (Note 8)	30,657,450
Other liabilities:	
Subordinated debt (Note 10)	18,377,563
Junior subordinated debt (Note 11)	4,766,630
Accounts payable and accrued liabilities	64,893
Dividends payable	249,430
Contingent liabilities (Note 12)	<u>-</u>
Deficiency in net assets	<u>23,458,516</u>
	<u>\$54,115,966</u>
Represented by:	
Capital stock	\$14,455,087
Deficit (Exhibit 2):	
As at June 17, 1965 as adjusted to December 31, 1966	\$65,486,429
For the period from June 18, 1965 to December 31, 1966	<u>3,084,624</u>
	<u>(68,571,053)</u>
	<u>\$54,115,966</u>

(The accompanying notes are an integral
part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965,
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,
AS ADJUSTED TO DECEMBER 31, 1966

Deficit at June 17, 1965 as adjusted to December 31, 1965 \$66,379,855

Deduct- Adjustments during the year ended December 31, 1966 relating to the assets and liabilities at June 17, 1965:

Amounts received (or estimated to be received) from advances to subsidiary (or former subsidiary) companies in excess of their estimated realizable value at December 31, 1965

\$1,717,066

Less- Additional write down of investment in shares of subsidiary company

80,000

1,637,066

Amounts received (or estimated to be received) from collections or sale of notes and accounts receivable in excess of their estimated realizable value at December 31, 1965

2,030,374

Adjustment in liabilities recorded at June 17, 1965

24,622

Increase in estimated income taxes recoverable

5,510

Amounts received in respect of fixed assets previously written off

3,490

Adjustment of foreign exchange on notes payable in United States dollars based on exchange rates at December 31, 1966

(652,386)

Adjustment in cash at June 17, 1965

(438)

3,048,238

63,331,617

Add-

Initial interim award of compensation to the Receiver and Manager (Note 8)

1,750,000

Legal expenses of the receivership

404,812

2,154,812

Deficit at June 17, 1965
as adjusted to December 31, 1966

\$65,486,429

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1966,
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1965

\$ 279,465

Add- Loss for the year ended December 31, 1966 (Exhibit 3)

2,805,159

Deficit as at December 31, 1966

\$ 3,084,624

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1966

Operating income:

Interest	\$ 2,231,361
Interest on marketable securities	1,860,453
Management fees charged to wholly-owned subsidiary companies	231,608
Excess of proceeds from life insurance policies over carrying value thereof	83,600
	<hr/>
	4,407,022

Operating expenses:

Administrative, per statement attached	<u>1,402,801</u>
Excess of operating income over operating expenses before the undenoted items	3,004,221

Interest on notes:

Senior debt-	
Bank advances	\$ 441,351
Short-term	2,585,361
Medium-term	277,323
Long-term	2,745,655
Subordinated debt	1,020,525
Junior subordinated debt	<hr/> 268,681
	<hr/> 7,338,896
	4,334,675

Interest charged on advances to wholly-owned subsidiary companies

2,411,905

Less- Provision for the net loss of these companies for the year ended December 31, 1966

1,327,102

1,084,803

Interest charged on advances to Lucayan Beach Hotel and Development Limited (Note 5)

444,713

1,529,516

Loss for the year

\$ 2,805,159

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1966

Advertising	\$ 424
Bank charges	20,577
Capital and place of business taxes	14,510
Collection expenses	25,485
Credit information	2,021
Creditors' life insurance	60,838
Employee benefits	16,510
Foreign exchange	(150,858)
Insurance	9,817
Legal and audit	166,502
Management fees to G.A.C. International Acceptance Corporation Limited	153,257
Miscellaneous	19,944
Notary, filing and recording fees	3,390
Occupancy	15,235
Office equipment rentals	53,038
Office maintenance	12,366
Postage	11,563
Printing, stationery and office supplies	32,345
Provision for loss on notes and accounts receivable	96,186
Rent	79,236
Salaries	484,025
Telephone and telegraph	75,082
Travel and automobile expenses	<u>201,308</u>
	\$1,402,801

(The accompanying notes are an integral
part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1966

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets, and the business and assets of its wholly-owned subsidiaries, are being liquidated. As a consequence the assets in the financial statements are stated at estimated realizable values.

In the attached statements, all balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange as at December 31, 1966.

2. Cash:

Cash includes \$497,273 held temporarily in trust by Montreal Trust Company pending reinvestment in short-term securities, and bank deposits of \$966,109 which were seized on June 17, 1965 by the depositaries. The banks have claimed a right to offset these deposits against bank advances and short-term notes which form part of the senior debt of the company.

3. Estimated amounts due in respect of sale of
interest in former subsidiary companies:

Since the date of receivership, the Receiver and Manager has sold the shares of two wholly-owned subsidiary companies, and the following amounts are due as at December 31, 1966 in respect of the sale of the interest in these companies:

Balance of consideration due from General Acceptance Corporation in respect of the sale of interest in Atlantic Finance Corporation Limited, equal to the estimated realizable value of certain notes receivable and other net assets as at December 31, 1966	\$1,918,757
Due from Great Northern Capital Corporation Limited, representing the estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited as at December 31, 1966	6,082,030
	<u>\$8,000,787</u>

4. Income taxes recoverable and
miscellaneous accounts receivable:

Income taxes recoverable and miscellaneous accounts receivable include the following amounts:

Income taxes recoverable, mainly in respect of the year ended December 31, 1964 recoverable as a result of losses in 1965	\$448,096
Proceeds from life insurance policies	100,800
Other	129,807
	<u>\$678,703</u>

5. Lucayan Beach Hotel and Development Limited:

The Receiver and Manager acquired control of Lucayan in 1965 by purchasing 61.4% of the outstanding shares of that company and second mortgage debentures of the face value of U.S. \$1,200,000, for an aggregate consideration of \$3,660,718. Approximately 30% of the remainder of the outstanding shares of Lucayan and second mortgage debentures of the face value of U.S. \$1,200,000 are also held as collateral for loans made by a former subsidiary, Commodore Sales Acceptance Limited.

The Receiver and Manager also made advances to Lucayan totalling \$6,449,658 to December 31, 1966 to assist it in meeting its current obligations. The security for these advances is to be a floating charge debenture covering all of the assets of the company.

The audited financial statements of Lucayan as at September 30, 1966 indicate an underlying equity at book value in excess of \$10,110,376, the aggregate investment in Lucayan.

No provision has been made for the company's share (approximately \$1,024,000) of the loss of Lucayan for the nine months to its fiscal year ended on September 30, 1966.

6. 6% Capital Notes of General Acceptance Corporation:

In September 1966 the Receiver and Manager entered into agreements providing for the sale without recourse of instalment notes and accounts receivable of the company as of June 30, 1966 for \$12,427,511, and for the purchase of an equal amount of 6% Capital Notes of General Acceptance Corporation due October 1, 1970. Under the terms of the latter agreement, General Acceptance Corporation will prepay without premium \$4,000,000 on October 1, 1967, \$3,500,000 on October 1, 1968 and \$2,500,000 on October 1, 1969, and pay the balance of \$2,427,511 on October 1, 1970.

7. Shares of Great Northern Capital Corporation Limited:

On the sale of the shares of Commodore Sales Acceptance Limited (a former wholly-owned subsidiary company) in December 1965, the company acquired 200,000 shares of Great Northern Capital Corporation Limited and under the terms of the sale agreement, a value of \$700,000 (or \$3.50 per share) was placed on these shares. The shares of Great Northern, which are traded on the Toronto Stock Exchange, had a quoted market value of \$450,000 on December 31, 1966 and \$280,000 on May 31, 1967.

8. Compensation of the Receiver and Manager:

An initial interim award of compensation in the amount of \$1,750,000 was paid to the Receiver and Manager upon approval by the Court in December 1966. No provision has been made for any further compensation to the Receiver and Manager.

9. Senior debt:

The senior debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, is secured by an assignment

of notes receivable and by a first floating charge on the assets of the company. The senior debt consists of the following liabilities in Canadian and United States dollars:

Bank advances (Note 2):		
Payable in Canadian dollars	\$ 3,250,000	
Payable in United States dollars		
(U.S. \$4,000,000)	<u>4,335,000</u>	\$ 7,585,000
Short-term notes (Note 2):		
Payable in Canadian dollars	35,280,135	
Payable in United States dollars		
(U.S. \$15,953,000)	<u>17,289,064</u>	52,569,199
Medium-term notes:		
Payable in Canadian dollars-		
5 %	100,000	
5 3/8%	140,000	
5 7/8%	700,000	
Payable in United States dollars-		
5 % (U.S. \$2,000,000)	2,167,500	
5 1/4% (U.S. \$2,000,000)	<u>2,167,500</u>	5,275,000
Long-term notes:		
Payable in Canadian dollars-		
Series B 6 1/2%	846,000	
Series C 5 3/4%	600,000	
Series D 5 3/4%	400,000	
Series E 6 1/4%	400,000	
Series F 5 1/4%	100,000	
Series G 6 1/4%	100,000	
Series H 6 %	700,000	
Series I 6 %	1,250,000	
Series O 6 1/8%	1,500,000	
Payable in United States dollars-		
Series A 6 1/2% (U.S. \$3,384,000)	3,667,410	
Series J 6 % (U.S. \$2,250,000)	2,438,437	
Series K 6 % (U.S. \$1,500,000)	1,625,625	
Series L 6 % (U.S. \$2,500,000)	2,709,375	
Series M 6 % (U.S. \$2,500,000)	2,709,375	
Series N 5 3/4% (U.S. \$7,500,000)	8,128,125	
Series P 6 % (U.S. \$1,500,000)	1,625,625	
Series Q 6 % (U.S. \$8,500,000)	9,211,875	
Series R 5 7/8% (U.S. \$5,460,000)	<u>5,917,275</u>	<u>43,929,122</u>
Principal amount of senior debt		109,358,321
Redemption premium on long-term notes		<u>2,182,247</u>
		111,540,568
Accrued interest on senior debt to December 31, 1966		<u>10,253,287</u>
		<u>\$121,793,855</u>

10. Subordinated debt:

The subordinated debt of the company, which became due and payable upon default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-	
6 %	\$ 23,500
6 1/4%	4,500,000
Payable in United States dollars-	
6 1/2% (U.S. \$ 2,250,000)	2,438,438
6 1/2% (U.S. \$ 782,000)	847,492
6 % (U.S. \$ 3,478,000)	3,769,282
6 1/4% (U.S. \$ 2,340,000)	2,535,975
6 1/4% (U.S. \$ 2,000,000)	<u>2,167,500</u>
Principal amount of subordinated debt	16,282,187
Redemption premium	<u>401,526</u>
	16,683,713
Accrued interest on subordinated debt to December 31, 1966	<u>1,693,850</u>
	<u><u>\$18,377,563</u></u>

11. Junior subordinated debt:

The junior subordinated debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-	
6 1/2%	\$ 1,000,000
6 3/4%	400,000
6 3/4%	150,000
Payable in United States dollars-	
6 % (U.S. \$ 2,000,000)	2,167,500
6 1/2% (U.S. \$ 500,000)	<u>541,875</u>
	4,259,375
Accrued interest on junior subordinated debt to December 31, 1966	<u>507,255</u>
	<u><u>\$ 4,766,630</u></u>

12. Contingent liabilities:

The company is contingently liable under certain guarantees to the amount of approximately \$225,000. If the contingent liabilities should become actual liabilities these creditors would rank with other unsecured creditors.

13. Litigation:

An action is pending in the Supreme Court of Ontario whereunder Connecticut General Life Insurance Company, suing on behalf of itself and all other holders of senior notes issued in compliance with the terms of the Senior Note indenture, is seeking a declaration of the Court that the outstanding senior

notes Series O to Series R and the outstanding short-term and medium-term senior notes issued after June 30, 1964 were not issued in compliance with the terms of the Senior Note indenture and are not entitled to the security thereof. Pursuant to an order of the Court the action is being defended by Montreal Trust Company, the trustee under the Senior Note Indenture, and by certain representative holders of senior notes in the series and classes of senior notes impugned.

14. Events subsequent to December 31, 1966:

In June 1967, the Court approved agreements entered into by the Receiver and Manager providing for the sale of the shares of Standard Discount Corporation Limited, and the settlement of the indebtedness of Standard Discount to Atlantic Acceptance and to Premier Finance over a two-year period. No further loss is expected to arise from the liquidation of the investment in Standard Discount.

PRICE WATERHOUSE & Co.

55 YONGE STREET
TORONTO 1

June 8, 1967.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of The Premier Finance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of The Premier Finance Corporation Limited - In Receivership (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1966, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1966, the Statement of Deficit for the period from June 18, 1965 to December 31, 1966 and the Statement of Loss for the year ended December 31, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Statement of Deficiency in Net Assets at estimated realizable values.

The estimated realizable value of instalment notes and accounts receivable has been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion the Statement of Deficiency in Net Assets presents fairly the financial position of the company as at December 31, 1966.

We have reviewed the adjustments made by the Receiver and Manager during the year ended December 31, 1966 relating to the assets as at June 17, 1965, as set out in the Statement of Deficit as at that date, and consider them necessary in order to state the assets at their estimated realizable value at December 31, 1966.

In our opinion the Statement of Loss for the year ended December 31, 1966 presents fairly the income and expenses arising in that period while the operations of the company were under the control of the Receiver and Manager, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1966 presents fairly the cumulative results of operations during that period.

Price Waterhouse & Co.

Chartered Accountants.

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1966

Assets under the control of the Receiver and Manager:	
Cash	\$ 24,778
Instalment notes and accounts receivable, at estimated realizable value (Note 2)	42,487
Income taxes recoverable	65,443
Receivable from Standard Discount Corporation Limited (an associated company) arising from the sale of notes and accounts receivable with full recourse, less estimated allowance of \$95,948 for possible loss on collection of the notes and accounts	113,544
Fixed assets, at nominal value	1
	<u>246,253</u>
Deduct- Accounts payable and accrued liabilities of the Receiver and Manager:	
Estimated realizable value of net assets under the control of the Receiver and Manager available for creditors as of June 17, 1965	243,742
Deduct- Advances from Atlantic Acceptance Corporation Limited (Note 1)	<u>2,295,657</u>
Deficiency in net assets to meet outstanding advances from Atlantic Acceptance Corporation Limited	2,051,915
Add- Other accounts payable and accrued liabilities	<u>10,630</u>
Deficiency in net assets	<u>\$2,062,545</u>
Represented by:	
Capital stock	\$ 185,618
Deficit (Exhibit 2)-	
As at June 17, 1965 as adjusted	
to December 31, 1966	\$1,890,977
For the period from June 18, 1965	
to December 31, 1966	<u>357,186</u>
	<u>(2,248,163)</u>
	<u>\$2,062,545</u>

(The accompanying notes are an integral
part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP
 (MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT
 AS AT JUNE 17, 1965,

THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED
 WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1966

Deficit at June 17, 1965 as adjusted to December 31, 1965	\$1,908,021
Deduct- Adjustments during the year ended December 31, 1966 relating to the assets at June 17, 1965:	
Amounts received (or estimated to be received) from collections of instalment notes and accounts receivable in excess of their estimated realizable value at December 31, 1965	\$16,714
Amounts received in respect of fixed assets previously written off	<u>330</u>
	<u>17,044</u>
Deficit at June 17, 1965 as adjusted to December 31, 1966	\$1,890,977

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1966,
 WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL
 OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1965	\$ 172,457
Add- Loss for the year ended December 31, 1966	
(Exhibit 3)	<u>184,729</u>
Deficit as at December 31, 1966	\$ 357,186

(The accompanying notes are an integral
 part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP
 (MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS
 FOR THE YEAR ENDED DECEMBER 31, 1966,
 WHILE THE OPERATIONS OF THE COMPANY WERE UNDER
 THE CONTROL OF THE RECEIVER AND MANAGER

Operating income:	
Interest	\$ 2,671
Interest on receivable from Standard Discount Corporation Limited	<u>27,329</u>
	30,000
Operating expenses:	
Administrative-	
Advertising	\$ 5
Bank charges	28
Capital and place of business taxes	95
Collection expenses	9,330
Credit information	791
Employee benefits	211
Insurance	35
Legal and audit	(250)
Management fees, travel and other service charges by G.A.C. International Acceptance Corporation Limited	17,310
Miscellaneous	1,725
Occupancy	1,721
Office equipment rentals	65
Office maintenance	1,028
Postage	938
Printing and stationery	1,950
Rent	4,791
Salaries	6,598
Telephone and telegraph	2,626
Travel	<u>396</u>
	49,393
Excess of operating expenses over operating income before interest charges	19,393
Interest on advances from Atlantic Acceptance Corporation Limited	<u>165,336</u>
Loss for the year	\$184,729

(The accompanying notes are an integral
part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP
(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1966

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965, and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of The Premier Finance Corporation Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Premier Finance, which are stated in the Statement of Deficiency in Net Assets at estimated realizable values, are being liquidated in satisfaction of this charge.

To assist in orderly liquidation, Montreal Trust Company was appointed Receiver and Manager of Premier Finance on July 29, 1965 under an order issued by the Supreme Court of Ontario.

2. Instalment notes and accounts receivable:

The receivables are represented by promissory notes secured, in some cases, by conditional sales contracts, chattel mortgages or other commercial paper and every effort is being made to collect the outstanding receivables as they fall due.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the accounts. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & CO.

55 YONGE STREET

TORONTO 1

June 8, 1967.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Adelaide Acceptance Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1966, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1966, the Statement of Deficit for the period from June 18, 1965 to December 31, 1966 and the Statement of Loss for the year ended December 31, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Balance Sheet at estimated realizable values.

The estimated realizable value of notes receivable has been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1966.

We have reviewed the adjustment made by the Receiver and Manager during the year ended December 31, 1966 relating to the assets as at June 17, 1965, as set out in the Statement of Deficit as at that date, and consider it necessary in order to state the notes receivable at their estimated realizable value at December 31, 1966.

In our opinion the Statement of Loss for the year ended December 31, 1966 presents fairly the income and expenses arising during the year while the operations of the company were under the control of the Receiver and Manager of the parent company, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1966 presents fairly the cumulative results of operations during that period.

Price Waterhouse & Co.

Chartered Accountants.

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1966

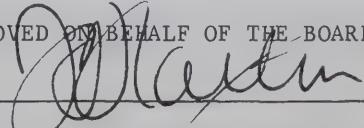
ASSETS

Cash	\$ 1,081
Notes receivable, at estimated realizable value (Note 2)	880,674
Income taxes recoverable	<u>13,500</u>
	<u><u>\$ 895,255</u></u>

LIABILITIES

Advances from Atlantic Acceptance Corporation Limited (Note 1)	\$4,275,993
Capital stock and deficit:	
Capital stock-	
Authorized-	
20,500 7% cumulative redeemable preference shares with a par value of \$10 each	
25,000 common shares of no par value	
Issued and fully paid-	
17,000 preference shares	\$ 170,000
10,103 common shares	<u>10,103</u>
	180,103
Deficit (Exhibit 2):	
As at June 17, 1965 as adjusted	
to December 31, 1966	\$3,203,524
For the period from June 18, 1965 to	
December 31, 1966	<u>357,317</u>
	<u><u>3,560,841</u></u>
	<u><u>(3,380,738)</u></u>
	<u><u>\$ 895,255</u></u>

APPROVED ON BEHALF OF THE BOARD:



D. A. Austin Director



W. A. Dohmen Director

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965, THE DATE WHEN THE PARENT COMPANY
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1966

Deficit at June 17, 1965 as adjusted to December 31, 1965	\$3,242,835
Deduct- Adjustment during the year ended December 31, 1966 relating to the notes receivable at June 17, 1965:	
Amounts received (or estimated to be received) from collections of notes receivable in excess of their estimated realizable value at December 31, 1965	<u>39,311</u>
Deficit at June 17, 1965 as adjusted to December 31, 1966	<u><u>\$3,203,524</u></u>

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1966
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER OF THE PARENT COMPANY

Deficit from June 18, 1965 to December 31, 1965	\$ 112,892
Add- Loss for the year ended December 31, 1966 (Exhibit 3)	<u>244,425</u>
Deficit as at December 31, 1966	<u><u>\$ 357,317</u></u>

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1966

Operating income:	
Interest	\$ 32,011
Operating expenses:	
Foreign exchange	\$3,500
Legal	50
Miscellaneous	<u>1</u>
	<u>3,551</u>
Excess of operating income over operating expenses before interest charges	28,460
Interest on advances from parent company	<u>272,885</u>
Loss for the year	<u><u>\$244,425</u></u>

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1966

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Adelaide Acceptance Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Adelaide Acceptance, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

In the attached statements, all balances are stated in Canadian dollars at the rate of exchange as at December 31, 1966.

2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the notes. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & CO.

55 YONGE STREET
TORONTO 1

June 8, 1967.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Atlantic Acceptance (Toronto) Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1966, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1966, the Statement of Deficit for the period from June 18 to December 31, 1966 and the Statement of Loss for the year ended December 31, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

A provision of \$235,000 has been made as an estimated allowance for possible loss on the collection of the mortgages receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion the accompanying Balance Sheet presents fairly the financial position of the company as at December 31, 1966.

We have reviewed the adjustment made by the Receiver and Manager during the year ended December 31, 1966 relating to the assets at June 17, 1965, as set out in the Statement of Deficit as at that date, and consider it necessary in order to state the mortgages receivable at their estimated realizable value at December 31, 1966.

In our opinion the Statement of Loss for the year ended December 31, 1966 presents fairly the income and expenses arising in that period while the operations were under the control of the Receiver and Manager of the parent company, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1966 presents fairly the cumulative results of operations during that period.

Price Waterhouse & Co.

Chartered Accountants.

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
 (a wholly-owned subsidiary of
 Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1966

ASSETS

Cash	\$ 457
Mortgages receivable, including accrued interest, less estimated allowance for possible loss \$235,000 (Note 2)	<u>211,776</u>
	<u>\$212,233</u>

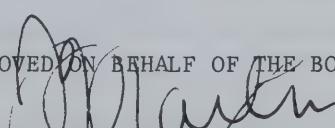
LIABILITIES

Accrued liabilities	\$ 25
Advances from Atlantic Acceptance Corporation Limited	<u>377,695</u>
	<u>377,720</u>

Capital stock and deficit:

Capital stock-	
Authorized- 40,000 shares without par value	
Issued and fully paid- 3 shares	\$ 3
Deficit (Exhibit 2)-	
As at June 17, 1965 as adjusted to December 31, 1966	\$121,806
For the period from June 18, 1965 to December 31, 1966	<u>43,684</u>
	<u>165,490</u>
	<u>(165,487)</u>
	<u>\$212,233</u>

APPROVED ON BEHALF OF THE BOARD:

 W. J. Martin Director
 W. J. DesLaurier Director

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
 (a wholly-owned subsidiary of
 Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT
 AS AT JUNE 17, 1965,
 THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,
 AS ADJUSTED TO DECEMBER 31, 1966

Deficit at June 17, 1965 as adjusted to December 31, 1965	\$142,521
Deduct- Adjustment during the year ended December 31, 1966 relating to the mortgages receivable at June 17, 1965:	
Amounts received (or estimated to be received) from collections of mortgages receivable in excess of their estimated realizable value at December 31, 1965	<u>20,715</u>
Deficit at June 17, 1965 as adjusted to December 31, 1966	\$121,806
	<u> </u>

STATEMENT OF DEFICIT
 FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1966,
 WHILE THE OPERATIONS OF THE COMPANY WERE UNDER
 THE CONTROL OF THE RECEIVER AND MANAGER

Surplus from June 18, 1965 to December 31, 1965	\$ 945
Deduct- Loss for the year ended December 31, 1966 (Exhibit 3)	<u>44,629</u>
Deficit as at December 31, 1966	\$ 43,684
	<u> </u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
 (a wholly-owned subsidiary of
 Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS
 FOR THE YEAR ENDED DECEMBER 31, 1966

Operating income:

Interest	\$ 27,226
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Operating expenses:

Administrative-

Capital and place of business taxes	\$ 25
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Management fees to G.A.C. International Acceptance Corporation Limited	402
---	-----

Miscellaneous	5
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Provision for possible loss on collection of mortgages receivable acquired from parent company in 1966	<u>49,033</u>
--	---------------

<u>49,465</u>

Excess of operating expenses over operating income before interest charges	22,239
---	--------

Interest on advances from parent company	<u>22,390</u>
--	---------------

Loss for the year	\$44,629
-------------------	----------

<u><u>\$44,629</u></u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1966

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Atlantic Acceptance (Toronto) Limited, a wholly-owned subsidiary.

The assets of Atlantic Acceptance (Toronto) which are stated in the Balance Sheet at estimated realizable values are being liquidated in satisfaction of the advances from the parent company.

2. Mortgages receivable:

The mortgages are generally repayable in monthly instalments over periods up to 1972 and every effort is being made to collect the outstanding mortgages as they fall due.

A provision of \$235,000 has been made in the Balance Sheet as an estimated allowance for possible loss on collection of the mortgages receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & CO.

55 YONGE STREET

TORONTO 1

June 8, 1967.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager,
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Commodore Factors Limited (whose shares are held by the Receiver and Manager of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1966, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1966, the Statement of Deficit for the period from June 18, 1965 to December 31, 1966 and the Statement of Loss for the year ended December 31, 1966. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence the assets are stated in the Balance Sheet at estimated realizable values.

The estimated realizable value of notes receivable has been carefully determined in the light of current conditions. However, because of uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1966.

We have reviewed the adjustment made by the Receiver and Manager during the year ended December 31, 1966 relating to the assets at June 17, 1965, as set out in the Statement of Deficit as at that date, and consider it necessary to state the notes receivable at their estimated realizable value at December 31, 1966.

In our opinion the Statement of Loss for the year ended December 31, 1966 presents fairly the income and expenses arising in that period while the operations of the company were under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1966 presents fairly the cumulative results of operations during that period.

Price Waterhouse & Co.

Chartered Accountants.

COMMODORE FACTORS LIMITED

BALANCE SHEET - DECEMBER 31, 1966
(stated in United States dollars)

ASSETS

Cash	\$ 2,363
Notes receivable, at estimated realizable value (Note 2)	615,211
Office furniture, at nominal value	1
	<hr/>
	\$ 617,575

LIABILITIES

Accrued liabilities	\$ 25,000
Advances from Atlantic Acceptance Corporation Limited (Canadian \$7,672,420) (Note 1)	<hr/> 7,079,342
	<hr/> 7,104,342

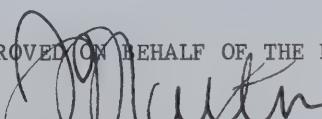
Capital stock and deficit:

Capital stock-	
Authorized- 200 shares without par value	
Issued- 100 shares	\$ 10,000

Deficit (Exhibit 2):

As at June 17, 1965 as adjusted	\$ 5,784,843
to December 31, 1966	
For the period from June 18, 1965	
to December 31, 1966	<hr/> 711,924
	<hr/> 6,496,767
	<hr/> (6,486,767)
	<hr/> \$ 617,575

APPROVED ON BEHALF OF THE BOARD:


John W. Martin Director


W. J. Doslawness Director

(The accompanying notes are an integral part of the financial statements.)

COMMODORE FACTORS LIMITED

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965,THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1966
(stated in United States dollars)

Deficit at June 17, 1965 as adjusted to December 31, 1965	\$6,164,101
Deduct- Adjustment during the year ended December 31, 1966 relating to the notes receivable at June 17, 1965:	
Amounts received (or estimated to be received) from collections of notes receivable in excess of their estimated realizable value at December 31, 1965	<u>379,258</u>
Deficit at June 17, 1965 as adjusted to December 31, 1966	<u>\$5,784,843</u>

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1966
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL OF THE
RECEIVER AND MANAGER OF ATLANTIC ACCEPTANCE CORPORATION LIMITED
(stated in United States dollars)

Deficit from June 18, 1965 to December 31, 1965	\$ 271,634
Add- Loss for the year ended December 31, 1966 (Exhibit 3)	<u>440,290</u>
Deficit as at December 31, 1966	<u>\$ 711,924</u>

(The accompanying notes are an integral part of the financial statements.)

COMMODORE FACTORS LIMITED

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1966
(stated in United States dollars)

Income:

Interest	\$ 2,205
Gain in foreign exchange	<u>41,232</u>
	43,437

Expenses:

Bank charges	\$ 65
Legal	28,412
Miscellaneous	<u>1,000</u>
	29,477

Excess of income over expenses before interest charges	13,960
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Interest on advances from Atlantic Acceptance Corporation Limited	<u>454,250</u>
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Loss for the year	<u>\$440,290</u>
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(The accompanying notes are an integral part of the financial statements.)

COMMODORE FACTORS LIMITED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1966

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Commodore Factors Limited whose property and assets were charged as security for the senior debt of Atlantic Acceptance. The assets of Commodore Factors, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the notes. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & CO.

55 YONGE STREET

TORONTO 1

June 8, 1967.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Concourse Agencies Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1966, in which is incorporated a Statement of Deficit for the period from June 18, 1965 to December 31, 1966 and a Statement of Loss for the year ended December 31, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying Balance Sheet presents fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants.

CONCOURSE AGENCIES LIMITED
 (a wholly-owned subsidiary of Atlantic Acceptance
 Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1966

ASSETS

\$ Nil

LIABILITIES

Advance from Atlantic Acceptance Corporation Limited	\$ 903
Capital stock and deficit:	
Capital stock-	
Authorized - 100,000 shares without par value	
Issued and fully paid - 3 shares	\$ 3
Deficit-	
As at June 17, 1965 (no change to December 31, 1966)	\$774
For the period from June 18, 1965 to December 31, 1966-	
Deficit from June 18, 1965 to December 31, 1965	\$78
Loss for the year ended December 31, 1966, represented by interest on advances from the parent company	
Deficit as at December 31, 1966	<u>54</u>
	<u>132</u>
	<u>906</u>
	<u>(903)</u>
\$ Nil	
<u> </u>	

APPROVED ON BEHALF OF THE BOARD:

D. H. Lester Director

W. D. DesLaurier Director

PRICE WATERHOUSE & CO.

55 YONGE STREET
TORONTO 1

June 8, 1967.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Pay As You Study Plan Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1966, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1966 and the Statement of Deficit for the period from June 18, 1965 to December 31, 1966, in which is incorporated a Statement of Loss for the year ended December 31, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants.

PAY AS YOU STUDY PLAN LIMITED
 (a wholly-owned subsidiary of
 Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1966

ASSETS

Cash	\$ 1,346
------	----------

LIABILITIES

Advances from Atlantic Acceptance Corporation Limited	\$32,932
--	----------

Capital stock and deficit:

Capital stock-

Authorized-

1,800 6% non-cumulative redeemable
 preference shares with a par value
 of \$100 each

20,000 common shares without par value

Issued and fully paid-

3 common shares

\$	3
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Deficit (Exhibit 2):

As at June 17, 1965 as adjusted to

December 31, 1966

\$28,437

For the period from June 18, 1965 to

December 31, 1966

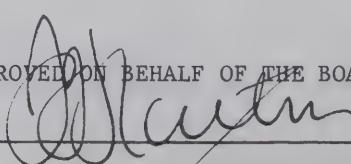
3,152

31,589

(31,586)

\$ 1,346

APPROVED ON BEHALF OF THE BOARD:


 Director


 Director

PAY AS YOU STUDY PLAN LIMITED
 (a wholly-owned subsidiary of
 Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT
 AS AT JUNE 17, 1965,
 THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,
 AS ADJUSTED TO DECEMBER 31, 1966

Deficit at June 17, 1965 as adjusted to December 31, 1965	\$28,482
<hr/>	
Deduct- Adjustment during the year ended December 31, 1966 relating to the accounts receivable at June 17, 1965:	
Amount recovered on accounts receivable written off as uncollectible at December 31, 1965	45
Deficit at June 17, 1965 as adjusted to December 31, 1966	\$28,437
<hr/>	

STATEMENT OF DEFICIT
 FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1966
 WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL
 OF THE RECEIVER AND MANAGER OF THE PARENT COMPANY

Deficit from June 18, 1965 to December 31, 1965	\$ 1,060
<hr/>	
Add- Loss for the year ended December 31, 1966, represented by:	
Interest on advances from parent company	\$2,071
Miscellaneous expenses	21
	2,092
Deficit as at December 31, 1966	\$ 3,152
<hr/>	

STONE, CONWAY, ANGER & STONE
CHARTERED ACCOUNTANTS
TORONTO, CANADA

TELEPHONE 481-5201
AREA CODE 416

NATIONAL CASH REGISTER BUILDING
117 EGLINTON AVE. E.

To the Shareholders of
Standard Discount Corporation Limited,
Toronto, Ontario.

Gentlemen:

We report having completed the examination of the accounting records of your company for the fiscal year ended December 31, 1966 from which we have prepared and submit herewith the following:

Statement (1) - Balance Sheet as at December 31, 1966;

Statement (2) - Statement of Retained Earnings
for year ended December 31, 1966;

Statement (3) - Statement of Profit and Loss
for year ended December 31, 1966.

SCOPE OF EXAMINATION

Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

*

*

*

CURRENT POSITION

For purposes of analysis, we submit the following comparative summary of your company's current position as at December 31 in each year:

	1966	1965 (restated)	1964
Current assets	\$3,881,292	\$4,280,638	\$3,061,419
Current liabilities (portion)	<u>382,255</u>	<u>375,332</u>	<u>486,448</u>
	3,499,037	3,905,306	2,574,971
Holdbacks and loans payable on demand	<u>2,897,524</u>	<u>3,318,659</u>	<u>2,008,583</u>
Net Current Assets	\$ 601,513	\$ 586,647	\$ 566,388

SOURCE AND APPLICATION OF FUNDS

The increase in net current assets of \$14,866 for the year under review results from the following:

Source of working capital

Net profit before income taxes	\$19,122	
Add: Depreciation allowance	<u>12,970</u>	\$32,092

Disposition of working capital

Corporation income taxes	4,561	
Additions to fixed assets	836	
Increase in c.s.v. of life insurance	1,380	
Decrease in deferred income	<u>10,449</u>	<u>17,226</u>

NET INCREASE IN WORKING CAPITAL

\$14,866

STATEMENT OF PROFIT AND LOSS

For comparative purposes, we submit the following analysis of operations for the years ended December 31:

	1966		1965	
		%		%
CONTRACTS PURCHASED				
Soft goods:				
Regular	\$8,520,427	99.9	\$8,412,483	89.3
Bulk purchase	-	-	959,484	10.2
Hard goods	<u>9,070</u>	<u>.1</u>	<u>42,896</u>	<u>.5</u>
Total	8,529,497	100.0	9,414,863	100.0
Finance Charges	<u>1,226,338</u>	<u>14.4</u>	<u>1,268,970</u>	<u>13.5</u>
INCOME				
Finance charges earned	1,241,539	95.4	1,200,244	95.8
Bad debts recovered	<u>59,528</u>	<u>4.6</u>	<u>52,160</u>	<u>4.2</u>
Total Income	1,301,067	100.0	1,252,404	100.0
EXPENDITURE				
Additional charges to written off accounts	11,408	.9	10,171	.8
Bad and doubtful accounts	358,611	27.6	332,759	26.6
Office salaries	293,216	22.5	252,231	20.1
Interest on loans	212,181	16.3	188,491	15.0
Overhead expenses	162,550	12.5	138,272	11.0
Income taxes payable	4,561	.4	25,934	2.1
Management salaries	51,009	3.9	65,436	5.2
Management fee	180,000	13.8	180,000	14.4
Depreciation allowance	<u>12,970</u>	<u>1.0</u>	<u>15,850</u>	<u>1.3</u>
Total Expenditure	1,286,506	98.9	1,209,144	96.5
NET PROFIT	\$ 14,561	1.1	\$ 43,260	3.5

* * *

In our opinion, the accompanying balance sheet and attached related statements of profit and loss and retained earnings present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the period ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the method of taking up income from instalment accounts receivable as explained in Note (2) to the financial statements.

Our examination also included the accompanying summary of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the company for the year ended December 31, 1966.

Stone, Conway, Anger, Stone

Toronto, April 3, 1967

Chartered Accountants.

STANDARD DISCOUNT CORPORATION LIMITED - TORONTO

(A private company incorporated under The Corporations Act of Ontario)

BALANCE SHEETDECEMBER 31, 1966

(With comparative figures for 1965)

ASSETS

	1966	1965
		(restated)
Current		
Petty cash fund	\$ 435	\$ 275
Accounts receivable (after deducting allowance for doubtful accounts and holdbacks applicable to recourse accounts - note 1)	3,820,053	4,261,821
Unexpired insurance	2,063	3,493
Prepaid expenses and supplies on hand	9,061	13,927
Corporation income tax, debit balance	49,680	1,122
	<u>3,881,292</u>	<u>4,280,638</u>
Fixed (at cost)		
Automotive equipment	6,840	6,840
Leasehold improvements	10,150	9,949
Office furniture and equipment	110,530	109,895
	<u>127,520</u>	<u>126,684</u>
Less: Accumulated depreciation	73,589	60,619
Undepreciated capital cost of fixed assets	53,931	66,065
	<u>53,931</u>	<u>66,065</u>
Other		
Goodwill	100,000	100,000
Cash surrender value of life insurance	10,664	9,284
	<u>110,664</u>	<u>109,284</u>

Approved on behalf of the Board:

James H. Baker
Director

O. Mayr
Director

\$4,045,887	\$4,455,987
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The accompanying explanatory notes are an integral part of these financial statements.

(See attached report letter dated April 3, 1967)

LIABILITIES

	1966	1965 (restated)
Current		
Bank overdraft (net)	\$ 348,473	\$ 326,298
Employees' income tax and pension plan payable	3,584	3,547
Accounts payable and accrued liabilities	7,735	14,822
Accrued salaries and bonuses	<u>22,463</u>	<u>30,665</u>
	<u>382,255</u>	<u>375,332</u>
Holdbacks:		
Premier Finance Corporation Limited - bulk purchase	95,948	95,948
Deduct: Applicable to accounts receivable (contra and note 1)	<u>95,948</u>	<u>95,948</u>
Balance	-	-
Dealer holdbacks	16,538	25,656
Deduct: Applicable to accounts receivable (contra and note 1)	<u>16,432</u>	<u>18,884</u>
Balance	106	6,772
Loan payable on demand (7%) Premier Finance Corp'n. Limited	113,544	792,865
Loan payable on demand (7%) Atlantic Acceptance Corp'n. Ltd.	<u>2,783,874</u>	<u>2,519,022</u>
	<u>2,897,418</u>	<u>3,311,887</u>
Deferred Income		
Unearned discounts and service charges (note 2)	<u>235,693</u>	<u>246,142</u>
SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized: 30,000 Preference shares, par value \$3 each, 3% non-cumulative dividend, non-voting, redeemable at par;		
10,000 Common shares, no par value, the total consideration for the issue of which is not to exceed the sum of \$10,000.		
Issued and fully paid:		
4,000 Preference shares	12,000	12,000
3,000 Common shares	<u>3,000</u>	<u>3,000</u>
	<u>15,000</u>	<u>15,000</u>
Retained Earnings		
Balance - statement 2	515,415	500,854
	<u>\$4,045,887</u>	<u>\$4,455,987</u>
Contingent Liability		
Guarantor on notes payable of Atlantic Acceptance Corporation Limited secured by a first floating charge on the undertaking, property and assets.		

STANDARD DISCOUNT CORPORATION LIMITED - TORONTOSTATEMENT OF RETAINED EARNINGSFOR YEAR ENDED DECEMBER 31, 1966

(With comparative figures for 1965)

	1966	<u>1965</u>	
		(restated)	
BALANCE, January 1	\$500,854		\$602,469
Add: Corporation tax adjustment due to revised method of calculating deferred income - for periods prior to Jan. 1, 1965	-		\$18,523
Net profit for years ended December 31	<u>\$14,561</u>	<u>14,561</u>	<u>43,260</u>
	<u>515,415</u>		<u>61,783</u>
			<u>664,252</u>
Less: Deferred income adjustment to the sum-of-the-digits method - for periods prior to Jan. 1, 1965	-		37,166
Dividends paid	-		115,315
Additional depreciation - 1963	<u>-</u>	<u>-</u>	<u>10,917</u>
			<u>163,398</u>
BALANCE, December 31	<u>\$515,415</u>		<u>\$500,854</u>
			<u>=====</u>

The accompanying explanatory notes are an integral part of these financial statements

STANDARD DISCOUNT CORPORATION LIMITED - TORONTO

STATEMENT OF PROFIT AND LOSS

FOR YEAR ENDED DECEMBER 31, 1966

(With comparative figures for 1965)

	1966	1965
		(restated)
INCOME		
Discounts earned - regular (note 2)	\$1,095,248	\$978,903
- special bulk purchase	<u> </u>	<u> </u>
Extension charges earned	141,860	95,948 \$1,074,851
Service charges earned	4,431	114,911
Bad debts recovered	59,528	10,482
Deduct: Additional charges added to written off accounts	11,408	52,160
	<u> </u>	<u> </u>
	48,120	10,171
	<u> </u>	<u> </u>
	1,289,659	41,989
	<u> </u>	<u> </u>
		1,242,233
EXPENDITURE		
Advertising and sales promotion	706	725
Allowance for depreciation	12,970	15,850
Attorney's fees	3,954	3,415
Audit fees	6,300	6,300
Automotive and travelling expenses	2,107	1,795
Bank interest and charges	3,620	4,491
Business taxes	5,881	5,445
Collection expenses	3,270	3,137
Credit bureau expenses	2,054	1,299
Electricity	1,248	1,248
Employee benefits	7,272	6,658
Employee pension plan	4,713	517
General expenses	5,055	2,681
Insurance	4,384	3,367
Interest on loans payable	212,181	188,491
Management and advisory fees	180,000	180,000
Management salaries	51,009	65,436
Postage	22,821	18,932
Printing, stationery and office expenses	35,266	27,684
Provision for losses on doubtful accounts	358,611	332,759
Rent (note 3) and share of realty taxes	34,825	33,823
Salaries	293,216	252,231
Telephone and telegraph	<u>19,074</u>	<u>16,755</u>
	<u> </u>	<u> </u>
NET PROFIT (before income taxes)	19,122	69,194
Corporation taxes on income	<u>4,561</u>	<u>25,934</u>
	<u> </u>	<u> </u>
NET PROFIT	\$ 14,561	\$ 43,260
	<u> </u>	<u> </u>

The accompanying explanatory notes are an integral part of these financial statements.

STANDARD DISCOUNT CORPORATION LIMITED - TORONTO

EXPLANATORY NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1966

(1) Accounts Receivable

	1966	1965
Regular	\$4,079,364	\$4,311,737
Deduct: Allowance for doubtful accounts	\$249,358	\$193,084
Dealers' holdbacks on recourse accounts applied to above	<u>16,432</u>	<u>265,790</u>
	<u>16,432</u>	<u>18,884</u>
Balance	3,813,574	4,099,769
Special bulk purchase (approximately)	102,427	258,000
Deduct: Holdback	<u>95,948</u>	<u>95,948</u>
Balance (subject to full recourse)	<u>6,479</u>	<u>162,052</u>
Accounts receivable (net)	\$3,820,053	\$4,261,821

(2) In conformity with the method generally used by finance companies the company has revised its formula for calculating deferred income. Now, after deducting 20% of the income from a contract to cover acquisition cost, the balance of the income is deferred under the "sum-of-the-digits" method based on the average life of a contract over a 6 month period. The 1965 comparative statement has been restated in accordance with this revised method.

In the past, sales contracts received in the company's office subsequent to December 31 were processed as business of the following year. Commencing with the current year all contracts dated 1966 are included in the financial statement of that year. The current year also includes sales contracts dated December, 1965 totalling \$174,633. If these sales had been included in the previous year's statement, the 1965 earned income would have increased by \$3,525 and correspondingly the 1966 earned income would have decreased \$3,525.

(3) Under long-term leases in effect to October 31, 1973 at 43 Eglinton Avenue East, the company is obligated to pay annual rentals aggregating \$33,823 for the 9th floor space and aggregating \$12,351 for the 10th floor space. Under a long term lease in effect to October 30, 1973 the 10th floor space has been sublet at an annual rental of \$12,777.

PRICE WATERHOUSE & CO.
CHARTERED ACCOUNTANTS

P. W. ANDRAE
E. R. FINGLAND
L. CROPPER
A. H. BRIGGS

P. O. BOX 15
MERCANTILE BANK BUILDING
FREEPORT, BAHAMAS

CABLES: PRICEWATER FREEPORT BAHAMAS
TELEPHONE: 7801 (3 LINES)

The Shareholders
Lucayan Beach Hotel and Development Limited

We have examined the accompanying consolidated balance sheet of Lucayan Beach Hotel and Development Limited as at 30th September, 1966 and the related consolidated profit and loss account for the period from 1st January, 1966 to 30th September, 1966.

ACCOUNTING RECORDS AND SCOPE OF EXAMINATION

We have maintained the accounting records of the Company and its subsidiaries for the period under review. We have also carried out such verification procedures and examined such other supporting evidence as we considered necessary in the circumstances.

BALANCE SHEET

The group has never maintained detailed plant and equipment registers of the various fixed assets. As a consequence, it has not been possible to satisfy ourselves as to the existence of certain of the fixtures and equipment. It may be that assets have been retired or lost and the corresponding asset values remain in the accounts.

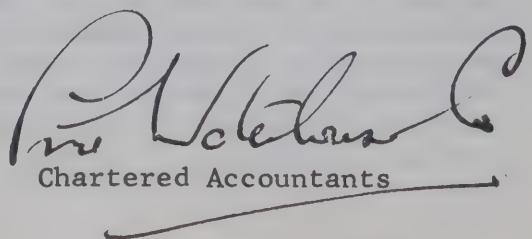
Certain freehold land is included at Directors' valuation in the amount of \$2,500,000. The valuation was ratified by shareholders at a meeting held on 14th June, 1965. This amount has been credited to Capital Reserve and utilised to write off the hotel operating losses arising before 28th February, 1965, and to partly re-capitalise the Company, in January, 1965. As the land has not been professionally and independently appraised, we are unable to satisfy ourselves as to the value placed thereon and resulting from this the substantiation for those accounting entries affecting the Capital Reserve, Share Capital and Profit and Loss Account.

The Bell Channel Villas and Lucayan Marina and Apartments were purchased at an aggregate cost of \$6,009,874, from Daylite of Grand Bahama Company Limited, a company now in receivership. Daylite had borrowed large sums of money which came indirectly from Atlantic Acceptance Corporation Limited which is also in receivership. The Company issued 1,250,000 of its ordinary shares on 18th January, 1965 for an aggregate cash consideration of \$3,500,000 and immediately paid this money to Daylite in partial settlement of the purchase price of one of the properties mentioned. We understand from information recently disclosed to a Royal Commission in the Province of Ontario, Canada, that it now appears that the Company and Daylite may not have been dealing at arms length, and there is, therefore, a possibility that the purchase price of the Bell Channel Villas and the Lucayan Marina and Apartments may be greater or less than the price that would have been paid under competitive conditions.

We have been unable to obtain sufficient information to satisfy ourselves as to the transactions leading to the recording in the books of the Company of credits received from Daylite of Grand Bahama Company Limited in the amount of \$200,000 as settlement for the Company agreeing not to participate in a construction venture and \$250,000 towards settling the Company's liability under a contract for the purchase of a building. The former amount was credited to the Capital Reserve Account and the latter amount was credited to the cost of fixed assets.

CONCLUSION

In our opinion, subject to the insufficiency of certain accounting records and information and that we have not been able to satisfy ourselves as to the existence, cost or carrying value of certain fixed assets, and resulting from the latter the possible effect that such valuation may have on the validity of accounting entries affecting the Capital Reserve, Share Capital and Profit and Loss Account, the accompanying consolidated balance sheet and consolidated profit and loss account present fairly the financial position of Lucayan Beach Hotel and Development Limited at 30th September, 1966, and the results of its operations for the period ended on that date, in accordance with generally accepted accounting principles.



Price Waterhouse & Co.
Chartered Accountants

12th January, 1967
Freeport, Bahamas

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED
AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET AT 30TH SEPTEMBER, 1966
(Stated in U.S. Dollars)

ASSETS

CURRENT ASSETS

Balances with bankers \$ 50,404
 Accounts receivable and prepayment, less
 provision for doubtful accounts \$20,899 24,099 \$ 74,503

FIXED ASSETS (Note 2)

Freehold land, hotels, apartments, marina,
 fixtures, fittings and equipment 17,389,780
 Less: Accumulated depreciation 1,477,364 15,912,416

\$15,986,919

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable and accrued charges \$ 572,174

MORTGAGE AND LOANS (Note 3) including accrued interest

9,085,113

SHAREHOLDERS' EQUITY

Share Capital authorized and issued		
10,000,000 shares of 5/- each		
fully paid	\$ 7,000,000	
Capital reserve	<u>1,347,553</u>	
		8,347,553
Profit and loss account (deficit)	(2,017,921)	6,329,632

COMMITMENTS (Note 1)

\$15,986,919

J. Malton }
} Directors
C. L. B. B. L. C. S. }

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD
FROM 1ST JANUARY, 1966 TO 30TH SEPTEMBER, 1966
(Stated in U.S. Dollars)

Depreciation	\$ 490,203
Mortgage interest	19,436
Loan and other interest	371,792
General expenses	72,271
Special repairs and maintenance required to bring facilities to a first-class standard (Note 1)	379,552
Subsidy payable to hotel operators (Note 1)	<u>375,000</u>
	1,708,254
Less: Rental income from leased facilities (Note 1)	<u>375,000</u>
LOSS FOR THE PERIOD	1,333,254
DEFICIT AT BEGINNING OF PERIOD	<u>684,667</u>
DEFICIT AT END OF PERIOD	\$2,017,921
	<u>=====</u>

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

NOTES TO FINANCIAL STATEMENTS AT 30TH SEPTEMBER, 1966

NOTE 1

As from 1st October, 1965, all the properties of the Group were leased out on full repairing leases for periods of from five to seven years. Under the terms of one of the leases, the Group has agreed to carry out certain repairs, additions and improvements necessary to bring the properties to a first-class standard. The estimated amount of such expenditure outstanding at 30th September, 1966, was \$130,000.

The rent receivable from the hotel operators is an amount equal to two-thirds of the operating profit; however in accordance with the lease, the Group agreed to subsidise the operators in the amount of any loss up to \$500,000, should an operating loss be incurred in the year ended 30th September, 1966. The audited financial statements of the hotel operating company disclose a loss of \$516,981 for the year ended 30th September, 1966. Under the terms of the lease, the amount of \$500,000 together with the amount of \$181,500 in respect of advances made by the operating company during the period, are to be secured by way of a debenture (see Note 3).

Rent receivable from other full repairing leases amounts to \$500,000 per year.

NOTE 2 - FIXED ASSETS

(i) Details of fixed assets and depreciation thereon are as follows:-

	<u>Cost or Valuation</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Freehold land, hotel buildings and apartments	\$12,575,511	\$ 857,270	\$11,718,241
Marina, wharves and equipment	2,585,000	24,325	2,560,675
Furniture, fittings and equipment	<u>2,229,269</u>	<u>595,769</u>	<u>1,633,500</u>
	\$17,389,780	\$1,477,364	\$15,912,416
	<u>=====</u>	<u>=====</u>	<u>=====</u>

(ii) Fixed assets are included at cost except for certain freehold land which is shown at a valuation of \$2,500,000 placed on it by the Directors and subsequently ratified by the shareholders of the Company.

NOTE 2 - FIXED ASSETS (continued)

(iii) Rates of depreciation have been taken as follows:-

Hotel and apartment buildings	3% to 7½%
Wharves	2%
Furniture, fittings and equipment	10% to 25%

NOTE 3 - MORTGAGE AND LOANS

(i) A mortgage for the amount of \$41,548 including accrued interest at 8½% per annum, was repaid in November, 1966.

(ii) Loans and advances, together with accrued interest at 6% per year, from Montreal Trust Company in its capacity as Receiver and Manager of Atlantic Acceptance Corporation Limited and from the Hotel Lessee, total \$8,362,065 and \$681,500 respectively. The Company has authorised the issue of debentures to the lenders to be secured by various fixed and floating charges on the assets of the Company in respect of these and subsequent advances. As of balance sheet date, these debentures had not been issued.

Repayment terms have yet to be agreed as to the loans made by the Montreal Trust Company but the advances by the Hotel Lessee are repayable *inter alia* by set off against future rental income but in no case later than October, 1970.

NOTE 4- RATES OF EXCHANGE

All amounts are stated in United States Dollars and where necessary, Bahamian Sterling has been expressed at the rate of:-

Bahamian £1 = U.S. \$2.80
 Bahamian \$1 = U.S. \$0.98

